

Message Text

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ORIGIN COME-00

INFO OCT-01 EUR-25 IO-14 ISO-00 EB-11 STR-08 TRSE-00

AGR-20 CEA-02 CIAE-00 DODE-00 FRB-02 H-03 INR-10

INT-08 L-03 LAB-06 NSAE-00 NSC-07 PA-04 RSC-01 AID-20

CIEP-02 SS-20 TAR-02 USIA-15 PRS-01 SP-03 FEA-02

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, EEC

SUBJECT: EC RECLASSIFICATION OF SEMICONDUCTORS

REF: BRUSSELS USEC 2982

ROHR/MARSH TELECON, MAY 13, 1974

1. MISSION INSTRUCTED RESPOND TO EC ON MATTER OF RESTORA-
TION OF CONCESSIONARY TARIFF RATE FOR SEMICONDUCTOR
ELEMENTS AS FOLLOWS.

2. U.S. WILL ACCEPT LATEST DRAFT LANGUAGE OF EC PROPOSED
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SUBHEADING AND EXPLANATORY NOTE UNDER CXT 85.21D WITH THE

EXPECTATION THAT THE 9 RATE FOR UNDICED WAFERS WILL BE EFFECTIVE ON JULY 1 AS INFORMALLY INDICATED BY COMMISSION OFFICIALS. U.S. APPROVAL OF EC RECTIFICATION OF ITS GATT TARIFF SCHEDULE WHICH REFLECTS CREATION OF NEW CONCESSIONARY SUBHEADING WILL DEPEND UPON ACTUAL CUSTOMS TREATMENT BEING ACCORDED UNDICED WAFERS IN POST-JULY 1 PERIOD. IF THE IMPRECISE LANGUAGE OF EXPLANATORY NOTE RE HALVED AND QUARTERED WAFERS OR REFERENCED SIZE RANGE OF WAFERS RESULTS IN APPLICATION OF NONCONCESSIONARY RATE OF 17 TO CERTAIN WAFERS BECAUSE OF THEIR SIZE OR SHAPE, WE WILL EXPECT EC OFFICIALS TO TAKE WHATEVER STEPS ARE NECESSARY TO APPLY THE 9 CONCESSIONARY RATE.

3. EC SHOULD NOTE THAT THE U.S. DOES NOT AGREE WITH THE EC ARGUMENT THAT EXCLUSION OF CHIPS FROM PRODUCTS COVERED BY NEW SUBHEADING IS EQUITABLE MEANS OF STRIKING A "BALANCE" BETWEEN THE CONCESSIONS ORIGINALLY IN EFFECT AND THE RESTRICTED CONCESSIONS. WE HAVE NO REASON TO BELIEVE THAT WAFERS OR CHIPS WERE AT ANY TIME PRIOR TO JANUARY 1, 1972, SUBJECT TO A RATE OF 17 WHEN ENTERING ANY EC MEMBER STATE. IF AS EC CLAIMS UP TO 20 OF THESE ITEMS WERE IMPORTED AT 17 RATE, IT IS MORE THAN LIKELY THAT EVIDENCE (CUSTOMS DOCUMENTS) WOULD EXIST TO SUBSTANTIATE THIS FACT. THE EC HAS BEEN ABLE TO PROVIDE NO SUCH EVIDENCE TO SUPPORT CLAIM REGARDING THE EC LEGAL OBLIGATIONS AND THE U.S. FINDS THE PROPOSED SOLUTION TO BE INCONSISTENT IN SPIRIT WITH GATT ARTICLE II. THE U.S. HAS ESTABLISHED BY WRITTEN DOCUMENTS AND BY EC'S OWN ADMISSION ITS CONCESSIONAL RIGHT IN RESPECT OF BOTH UNDICED WAFERS AND CHIPS. ALTHOUGH THE US BELIEVES THAT THE EC HAS AN OBLIGATION TO MAKE FULL RESTORATION OF THE CONCESSION, IT IS AGREEING TO A COMPROMISE SOLUTION IN ORDER TO EXPEDITE A RESOLUTION OF THE PROBLEM.

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